

## CHURCHILL MINING PLC

### FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2009

#### OPERATIONAL

##### East Kutai Coal Project (75%) Indonesia

- EKCP JORC-Code compliant resource of 2.5 billion tonnes was significantly expanded from 1.4 billion tonnes;
- An additional 618 million tonnes undergoing additional assessment to further increase the global resource to in excess of 3 billion tonnes;
- Mining permits secured from the Indonesian Government and project licences changed to reflect new Indonesian Mining Legislation;
- Numerous project design and engineering milestones completed;
- Feasibility Study nearing completion with results due in December 2009;
- Project financing discussions commenced with various finance institutions and potential joint venture partners; and
- Discussions in place for potential off-take agreements with power companies such as PT Cirebon Electric Power.

##### Sendawar Coal Bed Methane (70%) Indonesia

- Discussions ongoing with international oil, gas and Coal Bed Methane companies for the provision of technical assistance, off-take agreements and potential joint ventures.

##### South Woodie Woodie Manganese (20%) Australia

- ASX-listed Spitfire Resources Ltd (CHL 25.5% owner) confirms the interception of manganese at the Tally-Ho prospect at South Woodie Woodie in Western Australia, with an initial JORC compliant resource delineated

#### Corporate

- In May, the Company successfully raised GBP 5 million through the placing of 10,000,000 new shares at 50p per share with predominantly institutional investors. The placing was oversubscribed and the 50p placing price did not reflect a discount to the prevailing share price at the time.
- In March, the Company announced the appointment of Mr. Jan Alex Castro as a Non-Executive Director, who brings with him a wealth of experience and expertise in financing for mining and natural resources companies globally.

#### Financial

- In line with expectations, the full year loss was US\$ 14,089,527 or US\$ 0.2076 per ordinary share primarily reflecting investment into EKCP.
- The Company currently has a strong cash position, with cash reserves at the end of June totalling US\$ 10.9 million to continue development work at the EKCP.

For further information please contact:

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**CHAIRMAN'S STATEMENT**

I am pleased to present Churchill's Annual Report and Financial Statements following another year of outstanding exploration success and project enhancement. As you are no doubt aware, Churchill operates a portfolio of energy projects in Indonesia and our principal property is the world-class East Kutai Coal Project ("EKCP").

Prior to describing in a little more detail the exploration and project development work that has been completed by your company during the past year, it is first worth briefly reflecting on just how quickly Churchill has been able to add value to the EKCP by increasing the project's coal resource from a zero base to the currently identified resource of 2.5 billion tonnes in less than two years. It is also worth noting that all exploration and project enhancement work undertaken to date on the EKCP has been carried out within budget which has in turn lead to an impressively low resource definition cost per tonne.

At the time of writing, a JORC compliant resource of 2.5 billion tonnes of coal has been defined at the EKCP (Churchill 75%). More importantly, however, is the fact that the Company's independent technical advisors, SMGC Consultants, have recently confirmed that 1.3 billion tonnes of the EKCP resource can now be categorised into the JORC Measured and Indicated categories, considerably increasing confidence in the resource.

This upgrade of a large fraction of the anticipated tonnage at EKCP, along with the other developments that have occurred over the past year, will all be reflected in Churchill's maiden reserve statement, which is scheduled to be published soon.

In addition to progressing resource definition work at EKCP, I am also pleased to advise that Churchill has made significant strides in other key areas such as infrastructure planning over the past year to bring the resource closer to production.

Key items completed or in progress at the time of writing include:

- 80% completion of the design engineering and infrastructure program for the EKCP;
- Discussions with potential suppliers of key long-lead items already initiated;
- Completion of a survey of the conveyor system route from the mine to the proposed port site;
- Selection and preparation of a proposed port site, including the completion of a bathymetric survey of the sea bed at the proposed port site to better understand berth design possibilities;

- Initiation of priority pre-development work such as pit design, pit geotechnical work and infrastructure planning;
- Ongoing detailed coal testing and verification, with plans in place to extract a bulk coal sample from the future mine pit to understand the handling and performance characteristics of the coal.

Churchill's management anticipates that the progress outlined above will result in the finalisation of a project feasibility study by the end of the calendar year.

With the recent passage of the Indonesian Bill on Mineral and Coal Mining in Jakarta, the Company's management has proactively consulted with professional advisors to ensure we are in compliance with the new legislation. The Company has updated its mining licenses in accordance with the new legislation and our proactive steps to address this legal change has only enhanced our ability to expedite development of the EKCP.

Finally, in the context of continuing to add value to the EKCP going forward, we believe that the strategic location of the EKCP, in close proximity to Asian end-markets and the clean-burning nature of this coal, with its comparatively low ash and sulphur content by global standards, will result in EKCP coal being a sought after commodity.

Given the accomplishments of the past year and in anticipation of a positive feasibility study, Churchill has formed a solid platform from which to prepare for the next phase of growth and development at the EKCP. For this reason the Company has initiated a review of the three most likely means of financing the EKCP project, namely:

- (1) A "standalone" strategy based on financing the project through a combination of equity and project debt;
- (2) A joint venture with a strategic partner combined with project financing; and
- (3) The outright sale of part of the project once its true value can be demonstrated through the feasibility study.

Churchill's second Indonesian project, the Sendawar CBM Project, with potentially more than 5 trillion cubic feet of gas, retains its strategic value. The Company has initiated discussions regarding the eventual development of this project with international oil, gas and CBM companies for the provision of technical assistance, off-take agreements and potential joint ventures.

Reflecting the Company's focus on its Indonesian assets, Churchill divested most of its interest in the South Woodie Woodie Manganese Project in Western Australia, though it retains a 20% direct equity investment in the project, as well as at the time of writing 24.75% (30 June 2009: 28.8%) interest in Spitfire Resources, the ASX-listed company that purchased the Company's stake.

Despite the difficult and unpredictable circumstances over the past year resulting from the global financial crisis and related recessions, our belief in coal and CBM remains unshaken. While prices have dropped worldwide for all types of thermal coal, they remain in most cases above historical averages. In addition, the International Energy Agency ("IEA") has recently predicted that world coal consumption will grow at an average of 2.6% per year in the period 2005-2015, with the contribution of coal as a percentage of global power generation reaching 46% in 2030. Churchill, as an emerging coal producer with a world-class coal resource located in the backyard of energy-hungry nations such as India, China, South Korea and Japan, is well-positioned to benefit from these trends.

In conclusion, I would like to thank my fellow board members, Managing Director Paul Mazak and non-executive directors Fareek Basrewan and Jan Castro for their contributions to Churchill over the past year. I would also like to thank founding director Mr James Hamilton (who resigned during the year) for his efforts since the Company listed in 2005. Finally, on behalf of the Board I would like to thank all of our shareholders for their continuing support. The Company sees the upcoming 12 months as potentially the most rewarding in Churchill's history.

**David Quinlivan**

*Chairman*

*Churchill Mining Plc*

## **REVIEW OF OPERATIONS AND FINANCE**

### **OVERVIEW**

During the past year Churchill Mining Plc (“Churchill”) has made great strides in driving its main project, the East Kutai Coal Project (“EKCP”) which it controls with its Indonesian partners (CHL 75%), towards full resource definition.

EKCP has a JORC resource of 2.5 billion tonnes of coal, which was recently expanded from an initial resource of 1.4 billion tonnes. Its coal is clean-burning by global standards, being comparatively low in ash and sulphur, and the resource will benefit from its close proximity to Asian end-markets once it is in production.

Churchill’s independent technical advisors, SMGC Consultants, recently confirmed that 1.33 billion tonnes of the EKCP JORC resource can now be categorised into the JORC Measured and Indicated categories. In addition, there are 1.14 billion tonnes of coal in the JORC Inferred category.

This upgrade of a large component of the anticipated tonnage at EKCP, along with the other developments described below that have occurred over the past year, will all be reflected in Churchill’s maiden reserve statement, which is scheduled to be published shortly.

With the task of full JORC resource definition finished, the Company will increase its focus shifts on future mining scenarios and examining the optimum way in which it can generate positive cashflows and create shareholder value.

### **EAST KUTAI COAL PROJECT - YEAR IN REVIEW**

The EKCP continues to be Churchill’s flagship project and is the focus of most of its operations and investment to date. Churchill regards the EKCP as a highly strategic asset, ideally located in relation to core energy consuming markets and in the context of rising demand for energy resources such as high quality thermal coal.

In May 2007, Churchill reached a Joint Venture Agreement with PT Techno Coal Utama giving the Company a 75% interest in the EKCP, which covered an area of approximately 575km<sup>2</sup> (made up of four blocks) situated 110km west from the main population centre of Sangatta. In April 2008, the Company acquired a 75% interest in an additional 200km<sup>2</sup> of coal tenements immediately abutting the western boundary of the EKCP, and in particular, adjacent to the current area of intensive drilling and resource calculation work being carried out by the Company.

Churchill, along with its Indonesian partners, has focussed over the last year on the successful completion of the following milestones in order to best position the EKCP for production:

#### **a) Upgrade of Resources and Reserves**

The main focus of the year was to continue the intensive drilling to upgrade the resource and reserve of the EKCP and to confirm its world-class size. The drilling programme was undertaken with a mix of open hole and core drilling, utilising three drilling rigs and 200 support personnel. Drilling initially focused on the Northern and Southern areas of the RTM block. Total drilling completed to date is approximately 46,000 metres resulting in the upgrading of the resource to 2.5 billion tonnes and the confirmation of the deposit’s medium calorific coal with low sulphur and low ash content.

The new JORC resource figure of 2.5 billion tonnes has exceeded the Company's initial 500 million tonne target by close to 500%. Churchill has so far defined a coal system 18 kilometres long and approximately 3 kilometres wide. To date only 30% of the EKCP area has been drilled and the existing resource remains open along strike.

At the beginning of the period, the JORC resource measured 1.412 billion tonnes for the EKCP. This consisted of the following:

- 118 Mt measured resource
  - 322 Mt indicated resource
  - 972 Mt inferred resource
- 1.412 billion tonnes JORC resource**

By the end of the year, this had been upgraded to approximately 2.5 billion tonnes in the following categories:

- 556 Mt measured resource
  - 777 Mt indicated resource
  - 1,148 Mt inferred resource
- 2.481 billion tonnes JORC resource**

A further 618Mt is to undergo additional work to bring it into Inferred status.

b) Mining Permits

The securing of the mining permits from the Indonesian Government for the EKCP was critical this year. Subsequent to the passing of the Indonesian Bill on Mineral and Coal Mining in Jakarta and after taking time and professional advice to understand the future ramifications of this new legislation, the Company completed the change of its Exploration KPs (Kuasa Pertambangan) into IUP Exploitation (Izin Usaha Pertambangan) Mining Business Licences.

c) Design and Engineering of the EKCP

A number of the engineering and exploration milestones have been achieved during the year. This year has seen great progress in pre-development work such as pit design, pit geotechnical work and mine and infrastructure planning for the EKCP. During the quarter to 30 June 2009, the Company continued to complete detailed engineering plans for the mine, the haulage route, the multi-flight conveyor system and the port. Concurrently, the Company has completed a detailed field survey of the haulage and conveyor routes and begun land acquisition negotiations.

Approximately 80% of the engineering feasibility work is complete and finalisation of the feasibility study is expected by the end of 2009.

d) Successful Capital Raising

In May 2009, Churchill successfully completed a capital raise in the amount of £5 million. This money was raised through the placing of 10,000,000 new shares at 50p per share with institutional investors. The placing was oversubscribed and the 50p placing price did not reflect a discount to the prevailing share price at the time. The new capital will be used to advance the development of the EKCP and for general working funds. The placing represents 12.9% of the issued share capital. The new shares were admitted to trading on the AIM market of the London Stock Exchange on 3 June 2009.

e) Prospective Customers

Churchill also announced during the year that its fully owned subsidiary, PT Indonesia Coal Development (ICD), has been selected as a prospective thermal coal supplier to Indonesia's PT Cirebon Electric Power (CEP), which is building a 660 megawatt power plant in West Java which is due to start operations in 2011.

### ONGOING EKCP WORK

Due to the large size of the deposit, Churchill has focused its mine and infrastructure planning to create a bulk mining operation producing up to 20 million tonnes of coal per annum.

Geotechnical drilling in the north of the RTM block has already been completed to measure rock competency for future open pit mining. Geotechnical drilling is also underway in the southern area of the block. Further holes will soon be drilled to sterilise an area near the middle of the resource envelope, which has been identified as the location for the coal processing plant. A detailed coal testing and verification programme is underway which includes laboratory work both in Indonesia and Australia.

### FEASIBILITY STUDY

Following from the scoping study conducted last year, a detailed feasibility study is expected to be completed by the end of the year.

At the date of this report the following milestones to be completed were as follows:

<b>Milestones to date include:</b>	<b>Status:</b>
Obtaining Indonesian Governmental approvals and licenses to mine at the EKCP under the new mining law	Completed
Resource drilling	Completed
LIDAR topographical surveys to aid pit design and determine JORC categories	Completed
Securing ground tenure around the primary port target area	Heads of agreement signed
Hydrological survey	Completed
Port Bathymetrics Survey	Completed
JORC Resource	Completed
Large Diameter Sampling	Completed
Analysis of optimum coal transport routes from EKCP to the coast	Completed
Project feasibility study	80% Completed
JORC Reserve Statement	Near completion
400kg Bulk Sampling for Coal quality testing – 4 of 6 completed	Near completion
Pit Design to produce preliminary mining plans	Ongoing
Engineering design for the coal production mining area (ROM)	Ongoing
Hydrographical surveys to determine future shipping considerations	Ongoing

License haulage and port license	Ongoing
Preliminary engineering work for transportation, conveyor systems, barge port, mine stockyard, power plant and power distribution networks	Ongoing
Pinjam Pakai (Forestry licence)	Ongoing
Analysis of Coal for Power Station requirements	Ongoing
River Bathymetric Survey for Fast track	Ongoing
Geotechnical Investigation on mine stockyard, over land conveyor route and port	Ongoing

Excitingly, this feasibility work is being conducted at a time of rising energy and commodities demand. Forty percent of the world's energy is fuelled by coal. From 2009 demand for thermal coal is expected to grow worldwide and it is this strong demand, particularly from emerging markets such as China, India and Indonesia, that forms the centre piece of Churchill's business plan.

### **PROJECT FINANCING OPTIONS**

In parallel with the ongoing feasibility work described above and in anticipation of a positive feasibility study, Churchill and its Indonesian partners, have initiated a review of three primary means of financing the EKCP:

- (1) a "stand-alone" strategy based on financing the Project through a combination of equity and Project debt;
- (2) a joint venture with a strategic partner combined with Project financing; and
- (3) the part sale of the Project once its true value can be demonstrated through the feasibility study.

The size and the prospects of the EKCP have already captured the interest of a number of Groups that have either come to the site to conduct due diligence or made non-binding offers for the Project. Churchill can give no assurance on whether this will lead to a firm offer or whether any potential offer will be to the satisfaction of Churchill. The Company also continues to have ongoing discussions with a number of investment and project financing institutions.

### **CHURCHILL'S OTHER ASSETS**

In addition to the EKCP, Churchill has maintained a 70% interest in the Sendawar CBM Project in East Kalimantan along with its Indonesian partner RMU which owns the remaining 30%. The CBM Project covers more than 800 square kilometres of prospective ground in close proximity to the operating coal mines and with potentially more than 5 trillion cubic feet of natural gas. Churchill and RMU have initiated discussions regarding the eventual development of this project with international oil, gas and CBM companies for the provision of technical assistance, off-take agreements and potential joint ventures.

Churchill recently divested most of its interest in the South Woodie Woodie Manganese Project in Western Australia, though it retains a 20% direct equity investment in the project, as well as a 25.51% interest in Spitfire Resources, the ASX-listed Company that purchased the Company's stake. This divestment was in line with Churchill's strategy to focus on Indonesian coal production while retaining exposure to these promising manganese tenements.

## **CORPORATE**

### **FINANCIAL SUMMARY**

The loss for the year was US\$14,089,527 or (20.76c) per ordinary share (2008: profit US\$ 794,537 or 1.42c per ordinary share).

In this financial reporting period the Company's functional currency changed from Pounds Sterling to United States Dollars. Concurrent with this change in functional currency, the Group adopted the United States Dollar as its presentation currency.

During the year the Company committed approximately US\$ 7.5 million to exploration and evaluation expenditure mainly at the flagship East Kutai Coal Project reflecting the ramp up in exploration and drilling which has resulted in the release of the significantly increased JORC compliant resource at the project.

Significant expenditure items during the period include:-

- Impairment of the original carrying cost for the Sendawar CBM project for the amount of US\$5,715,365. During the year, following the award of the Joint Evaluation Agreement in respect of CBM, there was no further use for the KP coal exploration licences purchased in 2006 and they were allowed to lapse. The capitalised costs are no longer validly supported as the original capital cost in no way benefits the advancement of the CBM project and therefore these costs were impaired during the year.
- Impact in the 2nd half of 2008 by the unprecedented and significant decline in the Pound Sterling against the United States Dollar combined with the change in functional currency to USD, with the Group booking a foreign exchange loss of US\$3,534,000 for the full year; and
- Loss on fair value of its investment in Spitfire Resources Limited for the amount of US\$1,115,256 which is a reflection of the decline in world markets and the quoted prices of Spitfire shares and options on the Australian Securities Exchange (ASX).

The balance of operating expenditure is in line with the Company's stage of pre-development and includes increasing its project and technical staff resources in Indonesia during the year.

In May 2009 Churchill completed a £5 million capital raising, though a share placement which will allow the Company to continue with its feasibility study and accelerate its development programme at the East Kutai Coal Project.

The Group's balance sheet at 30 June 2009 and comparatives at 30 June 2008 are summarised as follows:-

	2009 \$'000	2008 \$'000
Non-current assets	19,067	19,308
Current assets	11,075	16,314
<b>Total assets</b>	<b>30,142</b>	<b>35,622</b>
Current liabilities	589	527
Non-current liabilities	27	9
<b>Total Liabilities</b>	<b>616</b>	<b>536</b>
<b>Net assets</b>	<b>29,526</b>	<b>35,086</b>

Non-current assets did not move significantly during the year as the investment into exploration at the East Kutai Coal Project was offset by the impairment in the carrying value of the Sendawar project and investment in Spitfire Resources Limited.

The reduction in current assets resulted from the cash invested into exploration and evaluation expenditure, administrative overheads and the impact of the decline in the pound sterling compared to the United States Dollar.

Churchill's overall financial position remains strong and the Company has the necessary cash resources, totalling USD 10.9 million at the end of June 2009, to continue to develop the East Kutai Coal Project.

In summary, Churchill remains committed to its core value of creating shareholder value. The next year will be an exciting one for the Company as the East Kutai Coal Project accelerates toward production.

**Paul G Mazak**  
*Managing Director*  
*Churchill Mining Plc*

#### **Competent Person's Statement**

The information in this Report relating to Exploration Results, Mineral Resources or Ore Reserves and technical matters is based on information compiled by Mark Manners who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Manners is employed as a Principal Geologist by SMG Consultants Pty Ltd and has over 20 years experience in exploration and mining of coal deposits. Mr Manner's consents to the inclusion in the Report of the information as presented. He has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the type of activity described to qualify as a competent person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

In accordance with the AIM Guidelines I am a qualified person that has reviewed the technical information contained in this 2009 Annual Report.

**CONSOLIDATED INCOME STATEMENT**  
For the year ended 30 June 2009

	Note	2009 \$'000	2008 \$'000
<b>Continuing operations</b>			
Revenue		-	-
Cost of Sales		-	-
<b>Gross profit/(loss)</b>		-	-
Other operating income		-	-
Other administrative expenses		(3,544)	(2,565)
Impairment of exploration assets		(5,715)	(905)
<b>Total administrative expenses</b>		<b>(9,259)</b>	<b>(3,470)</b>
<b>Loss from operations</b>		<b>(9,259)</b>	<b>(3,470)</b>
<b>Finance income</b>		260	513
Finance expenses – interest		(2)	(4)
Finance expenses – foreign exchange losses		(3,534)	(23)
<b>Total finance expenses</b>		<b>(3,536)</b>	<b>(27)</b>
Fair value (loss)/ gain on options held in associate		(624)	841
Impairment on investments in associate		(491)	-
Deemed profit on disposal of associate		-	63
Deemed loss on disposal of associate		(111)	-
Share of operating loss of associate		(329)	(207)
<b>Loss before taxation</b>		<b>(14,090)</b>	<b>(2,287)</b>
Income tax expense		-	-
<b>Loss after taxation from continuing operations</b>		<b>(14,090)</b>	<b>(2,287)</b>
Profit from discontinued operations		-	3,082
<b>(Loss)/Profit for the period attributable to equity shareholders of the parent</b>		<b>(14,090)</b>	<b>795</b>
<b>(Loss)/Earnings per share for (loss)/profit attributable to the ordinary equity holders of the company</b>			
<b>(Loss)/Earnings per share</b>			
Basic (loss)/profit per share (cents)	1	(20.76c)	1.42c
Diluted (loss)/profit per share (cents)	1	(20.76c)	1.24c
<b>(Loss)/Earnings per share for (loss)/profit from continuing operations attributable to the ordinary equity holders of the company</b>			
<b>(Loss)/Earnings per share - Continuing Operations</b>			
Basic loss per share (cents)	1	(20.76c)	(4.07c)
Diluted loss per share (cents)	1	(20.76c)	(4.07c)

**BALANCE SHEET**  
As at 30 June 2009

Company number 5275606		Consolidated		Company	
	Note	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents		10,903	16,124	10,452	15,596
Trade and other receivables	3	172	190	62	78
<b>Total current assets</b>		<b>11,075</b>	<b>16,314</b>	<b>10,514</b>	<b>15,674</b>
<b>Non-current assets</b>					
Property, plant and equipment		224	240	77	75
Trade and other receivables	3	805	387	-	-
Intangible assets	4	15,422	13,561	220	220
Other financial assets		101	921	-	-
Investment in subsidiaries		-	-	28,082	18,970
Investments in associates	2	2,515	4,199	-	-
<b>Total non-current assets</b>		<b>19,067</b>	<b>19,308</b>	<b>28,379</b>	<b>19,265</b>
<b>TOTAL ASSETS</b>		<b>30,142</b>	<b>35,622</b>	<b>38,893</b>	<b>34,939</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	5	581	513	138	214
Loans and borrowings		8	14	-	-
<b>Total current liabilities</b>		<b>589</b>	<b>527</b>	<b>138</b>	<b>214</b>
<b>Non-current liabilities</b>					
Provisions		27	-	-	-
Loans and borrowings		-	9	-	-
<b>Total non-current liabilities</b>		<b>27</b>	<b>9</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>616</b>	<b>536</b>	<b>138</b>	<b>214</b>
<b>NET ASSETS</b>		<b>29,526</b>	<b>35,086</b>	<b>38,755</b>	<b>34,725</b>
<b>CAPITAL AND RESERVES</b>					
<b>ATTRIBUTABLE TO EQUITY</b>					
<b>HOLDERS OF THE COMPANY</b>					
Share capital		1,507	1,316	1,507	1,316
Share premium reserve		39,147	30,503	39,147	30,503
Merger reserve		6,828	6,828	6,828	6,828
Other reserves		2,000	2,305	2,667	2,053
Retained losses		(19,956)	(5,866)	(11,394)	(5,975)
<b>TOTAL EQUITY</b>		<b>29,526</b>	<b>35,086</b>	<b>38,755</b>	<b>34,725</b>

The financial statements were approved and authorised for issue by the Board of Directors on 21<sup>st</sup> October 2009 and were signed on its behalf by:

Paul G Mazak  
Director

**CASH FLOW STATEMENT**  
**For the year ended 30 June 2009**

	Note	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Cash flows used in operating activities</b>	7	(3,471)	(2,643)	(1,721)	(1,725)
Interest paid		(2)	(4)	-	-
<b>Net cash used in operating activities</b>		<b>(3,473)</b>	<b>(2,647)</b>	<b>(1,721)</b>	<b>(1,725)</b>
<b>Cash flows used in investing activities</b>					
Finance Income		281	537	273	512
Payments for exploration assets		-	(2,333)	-	-
Payments for exploration and evaluation		(7,306)	(2,933)	-	-
Acquisition of property, plant and equipment		(108)	(98)	(92)	(7)
Acquisitions of options in associate		-	(80)	-	-
Repayment of advances to subsidiaries		-	-	69	-
Advances to subsidiaries		-	-	(9,152)	(5,768)
<b>Cash flows used in investing activities</b>		<b>(7,133)</b>	<b>(4,907)</b>	<b>(8,902)</b>	<b>(5,263)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of share capital		9,006	20,360	9,005	20,360
Share issue expenses paid		(171)	(1,377)	(171)	(1,377)
Proceeds from borrowings		-	2	-	-
Repayments of borrowings		(15)	(15)	-	-
<b>Cash flows from financing activities</b>		<b>8,820</b>	<b>18,970</b>	<b>8,834</b>	<b>18,983</b>
Net (decrease)/increase in cash and cash equivalents		(1,786)	11,416	(1,789)	11,995
Cash and cash equivalents at beginning of year		16,124	4,815	15,596	3,707
Effect of foreign exchange rate differences		(3,435)	(107)	(3,355)	(106)
<b>Cash and cash equivalents at 30 June 2009</b>		<b>10,903</b>	<b>16,124</b>	<b>10,452</b>	<b>15,596</b>

**NOTE 1: (LOSS)/EARNINGS PER SHARE**

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Continuing operations	(14,090)	(2,287)
Discontinued operations	-	3,082
(Loss)/profit attributable to ordinary shareholders	<b>(14,090)</b>	<b>795</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of shares used in the calculation of basic (loss)/earnings per share	67,860,344	56,118,847
Weighted average number of shares used in the calculation of diluted loss per share	74,114,293	63,950,902
	<b>Cents</b>	<b>Cents</b>
<b>Total (loss)/earnings per share</b>		
Basic (loss)/earnings per share	(20.76c)	1.42c
Diluted (loss)/earnings per share	(20.76c)	1.24c
<b>Loss per share - continuing operations</b>		
Basic loss per share	(20.76c)	(4.07c)
Diluted loss per share	(20.76c)	(4.07c)
<p>For continuing operations the effect of all potential ordinary shares arising from the exercise of options going forward is considered to be anti-dilutive. 3,350,000 (2008:3,100,000) potential ordinary shares have been excluded from the above calculation as they are anti-dilutive.</p>		

**NOTE 2: INVESTMENTS IN ASSOCIATES**

The following entity meets the definition of an associate and has been equity accounted in the consolidated financial statements. As at 1 July 2007 the Group controlled 100% of the issued capital of Spitfire Resources Limited ("Spitfire"). During the prior year the Group's investment in Spitfire was diluted to 40.98% and then to 35.64% at year-end by additional equity issues by Spitfire.

During the current year the Group's investment in Spitfire was diluted from 35.64% to 28.80% by further additional equity issues by Spitfire.

Name	Country of incorporation	Reporting Date	Proportion of voting rights held at 30 June 2009
Spitfire Resources Limited	Australia	30 June 2009	28.80%

	2009 \$'000	2008 \$'000
Balance at beginning of year	4,199	-
Initial investment/consideration received	-	4,044
Deemed (loss)/profit on disposal of associate	(111)	63
Share of loss of associate	(329)	(207)
Impairment to fair value	(491)	-
Effect of movement in exchange rates	(753)	299
<b>Total carrying value at the end of the year</b>	<b>2,515</b>	<b>4,199</b>

Spitfire Resources Limited ("Spitfire") shares are listed on the Australian Securities Exchange ("ASX") and are classified as a listed investment. The fair value of the investment using the closing prices at 30 June 2009 was \$2,514,908 (2008: \$4,199,040) based on a closing price of A\$0.125 (US\$0.10) (2008: A\$0.225 (US\$0.22)).

The ordinary shares held in Spitfire are held under a lock-in (escrow) agreement until 12 December 2009. The share of associates loss recognised during the period is \$328,361 (2008: \$207,566)

Summary of audited financial statements of associates at 30 June 2009 and converted from AU\$ to US\$ at the closing rate are as follows:

	2009 \$'000	2008 \$'000
Total assets	11,019	12,362
Total liabilities	159	356
Equity	10,860	12,006
Revenues	241	251
Loss	(1,041)	(747)

Included in the total assets of Spitfire Resources Limited is cash balances of \$3,841,167 (2008:\$5,329,991).

### NOTE 3: TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current</b>				
Trade receivables	-	3	-	-
Prepayments and other receivables	172	187	62	78
	<b>172</b>	<b>190</b>	<b>62</b>	<b>78</b>
<b>Non Current</b>				
VAT receivable	805	387	-	-
	<b>805</b>	<b>387</b>	<b>-</b>	<b>-</b>

In the comparative information, a VAT receivable of \$387,395, which was previously included under current other receivables, has been reclassified in the current financial statements as a non-current receivable. The reclassification is as a result of a change in the expected recovery period of the VAT receivable to being greater than one year from the balance sheet date. The directors anticipate that subject to the implementation of the new Mining Law in Indonesia and the operating structure of the group, the VAT debtor of \$804,830 (2008: \$387,395) will be recovered when the Group commences commercial mining services operations. However, if the Group's exploration projects do not proceed to production, some or all of the VAT may not be recoverable. No provision has been made in the group accounts for any potential non-recovery of VAT.

### NOTE 4: INTANGIBLE ASSETS

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Exploration and evaluation assets</b>				
<b>Capitalised exploration expenditure:</b>				
Balance at start of year	4,981	3,404	-	-
Additions	7,572	3,121	-	-
Impairment of exploration costs	-	(905)	-	-
Discontinued operations	-	(639)	-	-
<b>Balance at end of year</b>	<b>12,553</b>	<b>4,981</b>	<b>-</b>	<b>-</b>
<b>Exploration and evaluation assets</b>				
<b>Cost of acquisition:</b>				
Balance at start of year	8,579	7,233	220	220
Additions	5	1,588	-	-
Impairment	(5,715)	-	-	-
Discontinued operations	-	(242)	-	-
<b>Balance at end of year</b>	<b>2,869</b>	<b>8,579</b>	<b>220</b>	<b>220</b>
<b>Goodwill</b>				
<b>Cost:</b>				
Balance at start of year	1	1	-	-
Impairment of Goodwill	(1)	-	-	-
<b>Balance at end of the year</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>Total</b>				
<b>Cost:</b>				
Balance at start of year	13,561	10,638	220	220
Additions	7,577	4,709	-	-
Impairment of exploration costs of acquisition	(5,715)	-	-	-

Impairment of exploration and evaluation assets	-	(905)		
Discontinued operations	-	(881)	-	-
Impairment of Goodwill	(1)	-	-	-
<b>Balance at end of year</b>	<b>15,422</b>	<b>13,561</b>	<b>220</b>	<b>220</b>

During the year the Group impaired the original carrying cost for the Sendawar CBM project for the amount of US\$5,715,365. Following the award of the Joint Evaluation Agreement in respect of CBM, there was no further use for the KP coal exploration licences purchased in 2006 and they were allowed to lapse. The capitalised costs are no longer validly supported as the original capital cost in no way benefits the advancement of the CBM project and therefore these costs were impaired during the year.

This amount reflects the original cost of the initial KP exploration licenses, prior to the granting of the new joint evaluation license by direct appointment in September 2007.

The Group has a 75% interest in the East Kutai Coal Project ("EKCP"). Under the terms of the co-operation and investors agreements for EKCP with its Indonesian partners the Group is responsible for arranging and co-ordinating all aspects of the project until completion of a Bankable Feasibility Study.

The Group has a 70% interest in the Sendawar CBM project ("Sendawar"). Under the terms of the agreements for Sendawar with its Indonesian partners the Group is responsible for arranging and co-ordinating all aspects of the project until it decides to commit to signing a 70% interest in a Production Sharing Contract, once new regulations have been formalised and are considered workable by the Group.

The Group retains a 20% interest in the South Woodie Woodie Manganese Project. The Group is "free-carried" on its 20% interest until a decision to mine is made in relation to the project.

<b>Exploration and Evaluation Expenditure Consolidated 2009</b>	<b>Assets \$'000</b>	<b>Liabilities \$'000</b>	<b>Income \$'000</b>	<b>Expense \$'000</b>	<b>Operating cash flows \$'000</b>	<b>Investing cash flows \$'000</b>
South Woodie Woodie Project	198	-	-	-	-	-
Sendawar/CBM Project	1,722	-	-	5,715	-	(150)
East Kutai Project	13,502	420	-	-	-	(7,156)
Goodwill	-	-	-	1	-	-
	<b>15,422</b>	<b>420</b>	<b>-</b>	<b>5,716</b>	<b>-</b>	<b>(7,306)</b>

<b>Exploration and Evaluation Expenditure Consolidated 2008</b>	<b>Assets \$'000</b>	<b>Liabilities \$'000</b>	<b>Income \$'000</b>	<b>Expense \$'000</b>	<b>Operating cash flows \$'000</b>	<b>Investing cash flows \$'000</b>
South Woodie Woodie Project	237	-	-	-	-	(241)
Sendawar CBM Project	7,287	-	-	(905)	-	(1,005)
East Kutai Project	6,036	251	-	-	-	(4,020)
Goodwill	1	-	-	-	-	-
	<b>13,561</b>	<b>251</b>	<b>-</b>	<b>(905)</b>	<b>-</b>	<b>(5,266)</b>

The value of the Company's interest in exploration and evaluation expenditure is dependent upon:

- The continuance of the Company's rights to tenure of the areas of interest;
- The results of possible future exploration; and
- The recovery of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

#### NOTE 5: TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current</b>				
Trade payables	507	467	88	176
Accruals and other payables	74	46	50	38
	<b>581</b>	<b>513</b>	<b>138</b>	<b>214</b>

#### NOTE 6: COMMITMENTS

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Operating lease commitments</b>				
The total future aggregate minimum lease payments under non-cancellable operating leases:				
Within one year	57	69	46	51
Within two to five years	43	108	43	97
	<b>100</b>	<b>177</b>	<b>89</b>	<b>148</b>
The above amount relates to a property lease for:				
- Suite 1, 346 Barker Road, Subiaco which is a non-cancellable lease with a 36 month term expiring on 31 May 2011 with rent payable monthly in advance; and				
- Wisma Kosgoro Building, Jakarta which is a non-cancellable lease with a 24 month term expiring on 31 January 2010 with rent payable monthly in advance.				
<b>Finance lease commitments</b>				
The minimum lease repayments on the finance lease are as follows:				
Within one year	9	17	-	-
Within two to five years	-	10	-	-
	<b>9</b>	<b>27</b>	<b>-</b>	<b>-</b>
Finance charges	(1)	(4)	-	-
Net obligations	<b>8</b>	<b>23</b>	<b>-</b>	<b>-</b>
The liabilities incurred as a result of the lease vehicles from PT Dipo Star Finance Tbk are secured by the related leased assets.				
<b>Engineering commitments</b>				
Within one year	340	-	-	-
	<b>340</b>	<b>-</b>	<b>-</b>	<b>-</b>

During April 2009 the subsidiary PT Indonesia Coal Development engaged PT Transtek Engineering to provide engineering services with respect to the EKCP. The Group has committed to an expenditure of \$340,152 post year-end. This amount is not included in these financial statements.

**Consultant compensation commitments**

**Key management personnel**

Commitments under non-cancellable consulting contracts not provided for in the financial statements and payable:

Within one year	732	812	732	812
Within two to five years	-	1,218	-	1,218
	<b>732</b>	<b>2,030</b>	<b>732</b>	<b>2,030</b>

**NOTE 7: NOTES TO THE CASH FLOW STATEMENT**

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Reconciliation of (loss)/profit after tax to cash from operating activities</b>				
<b>(Loss)/profit after tax</b>	<b>(14,090)</b>	<b>795</b>	<b>(5,419)</b>	<b>749</b>
Share option expense	614	122	584	116
Depreciation expense	60	27	22	1
Impairment expense	5,715	905	-	(2,220)
Loss on exchange rates	3,534	136	3,403	136
Gain on disposal of subsidiary	-	(3,355)	-	-
Fair value (loss)/gain on options held in associate	624	(841)	-	-
Impairment on investment in associate	491	-	-	-
Deemed profit on disposal of associate	111	(62)	-	-
Interest revenue in investing activities	(260)	(537)	(250)	(512)
Share of associate loss	329	207	-	-
Decrease/(Increase) in accounts receivable	(400)	(192)	15	(20)
(Decrease)/increase in payables	(199)	152	(76)	25
<b>Cash flow from operating activities</b>	<b>(3,471)</b>	<b>(2,643)</b>	<b>(1,721)</b>	<b>(1,725)</b>
<b>Reconciliation of cash and cash equivalents</b>				
Cash and cash equivalents at the end of the year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:				
Cash and cash equivalents	10,903	16,124	10,452	15,596

## **NOTE 8: RELATED PARTY TRANSACTIONS**

The Group had the following material transactions (excluding Directors' salaries and fees) with related parties during the year ending 30 June 2009.

During the year the Group paid Direct Invest Group Limited \$480,209 (2008: \$405,047) for the consultancy services of Mr Paul Mazak who is a Director of the Company. The amount of \$37,125 was owing to Direct Invest Group Limited as at 30 June 2009 (2008: \$44,995)

During the year the Group paid Borden Holdings Pty Ltd \$16,696 (2008: \$42,830) for the consultancy services of Mr David Quinlivan who is a Director of the Company. There were no amounts owing to Borden Holdings Pty Ltd as at 30 June 2009 (2008: Nil).

During the year the Group paid Goldregis Corporation Pty Ltd \$88,806 (2008: \$185,053) for the consultancy services of Mr James Hamilton who was a Director of the Company until April 2009. The amount of \$8,910 was owing to Goldregis Corporation Pty Ltd as at 30 June 2009 (2008: \$10,818).

In June 2008, the Company entered into a lease agreement with Borden Holdings Pty Ltd, a related party of Mr David Quinlivan who is a Director of the Company. The lease is for the office at Suite 1, 346 Barker Road, Subiaco, Western Australia. The lease is for a period of three years with a two year option and the terms of the lease are no more favourable than normal market rates. The terms of the lease were reviewed and approved by the independent Directors. The amount paid for the year ending 30 June 2009 was \$52,870 (2008: \$5,638)

The Key Management personnel disclosures are included in the full financial statements.

## **NOTE 9: CONTINGENT LIABILITIES**

During April 2008 PT Indonesia Coal Development acquired two new licenses as an extension to the East Kutai Coal Project. As part of the purchase price the parent company Churchill Mining Plc is obliged to issue 2 million shares in Churchill Mining Plc to the vendors of the project upon the delineation of a minimum JORC compliant resource of 100Mt of measured coal resource in the newly acquired extension licences.

As at the date of this report the Company has not yet reached the 100Mt measured resources in this newly acquired extension licenses and the share issue by Churchill has not yet occurred. Should the company reach the target and assuming a Churchill share price at 30 June 2009 of 53.2p (\$0.88) (30 June 2008: 65p (USD1.29)) then the value of the share issue by the parent company would have been approximately USD 1,760,000 (2008: USD2,592,740). No amount has been recognised in these financial statements during the period.

## **NOTE 10: POST BALANCE SHEET EVENTS**

On 29 July 2009 the Company issued 75,000 shares at an issue price of 20p (\$0.33), pursuant to the exercise of share options.

On 26 August 2009 the Company announced that Measured & Indicated JORC Resources at the East Kutai Coal Project ("EKCP") exceeds 1.3 billion tonnes.

On 1 October 2009 the Company issued 25,000 shares at an issue price of 20p (\$0.32) pursuant to the exercise of share options.

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The financial information set out above does not constitute the company's statutory accounts for the years ended 30 June 2009 or 2008, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the company's annual general meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) Companies Act 2006.